# GOVERNMENT OF INDIA
# FINANCE
# LOK SABHA

UNSTARRED QUESTION NO:3065
ANSWERED ON:07.08.2015
Foreign Exchange Reserves
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**Will the Minister of FINANCE be pleased to state:**

(a) the present status of the Foreign Exchange Reserves (FERs) of the country;
(b) whether FERs of the country have witnessed fluctuations in the recent months, if so, the details thereof and the reasons therefor;
(c) whether the incremental rate of foreign exchange has quadrupled during the fiscal year 2014-15 as compared to previous years, if so, the details thereof and the reasons therefor; and
(d) other steps taken in this regard to retain the aforesaid trend?

## Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE
(SHRI JAYANT SINHA)

(a) (a) India's foreign exchange reserves (FERs) were placed at US$ 304.2 billion at end March 2014, US$ 341.6 billion at end March 2015 and US$ 353.5 billion at end July 2015.
(b) (b) Month-wise data on FERs indicate by-and-large a broad rising trend as given below.
Foreign Exchange Reserves (in US$ billion)

| End-Month | 2014-15 | 2015-16 |
|---|---|---|
| April | 311.0 | 351.9 |
| May | 312.2 | 352.5 |
| June | 316.1 | 356.0 |
| July | 319.8 | 353.5 |
| August | 318.4 | |
| September | 314.2 | |
| October | 315.9 | |
| November | 315.6 | |
| December | 320.6 | |
| January | 328.7 | |
| February | 337.7 | |
| March | 341.6 | |

Source: Reserve Bank of India

(c) The change in the stock of FERs is mainly the outcome of the absorption or injection by the Reserve Bank of India (RBI) of the excess/ deficiency of capital account inflows over the external financing requirement as indicated by the level of current account deficit (CAD) on balance of payments (BoP) basis. The valuation gain/loss in the stock of foreign currency assets arising largely on account of the depreciation or appreciation of the US dollar against major currencies and the rise or fall of the price of gold and other stock of assets in the FERs are the other significant reasons for the change in the levels of FERs. In 2011-12 and 2012-13 there was a rise in the levels of CAD on account of the high global crude oil prices and a rise in gold imports. As the net capital inflows were insufficient to finance the level of the CAD, reserves had to be drawn down on BoP basis in 2011-12. In 2012-13, while CAD remained high it was financed fully by capital inflows and there was a modest accretion to reserves on BoP basis. In 2013-14, Government took steps to lower the CAD in view of the strong bout of depreciation of the rupee in the initial parts of the year and encourage capital flows which resulted in a sharp decline in the levels of CAD that were more than adequately financed by capital flows resulting in an accretion to reserves of US$ 15.5 billion on BoP basis. In 2014-15, the continued moderation in CAD and copious inflows led to an accretion to reserves on BoP basis of the order of US$ 61.4 billion. However, the stock of FERs increased by US$ 12.2 billion in 2013-14 and US$ 37.4 billion in 2014-15 on account of valuation loss.
(d) The broad rising trend in FERs continues in 2015-16 so far as well. The Government and the RBI are closely monitoring the emerging external position and on an ongoing basis calibrating policies or regulations to support robust macroeconomic outcome.